



Interim Report

January 1–March 31, 2008

Nextlink AB (publ.)

Key ratios for the period

- Net sales totaled SEK 9.5 m (4.2).
- Gross profit was SEK 3.1 m (2.8).
- The gross margin was 32.4 percent (67.8).
- Loss after tax was SEK -15.0 m (-14.4).
- Earnings per share were SEK -0.72 (-0.98).
- The order book was SEK 33.1 m (19.8).

Important events during the first quarter

- Awards and finalist placing for INVISIO Q7 at the CES trade show in Las Vegas.
- Prestigious order received for INVISIO® Pro headsets from BAE Systems.
- Several significant orders received for consumer products.
- Nextlink's process to realize value in the Group's patent portfolio on track.

Important events after the end of the first quarter

- Motorola and Nextlink have entered into a strategic and exclusive license and development agreement.
- Nextlink's patent for a wireless terminal for VoIP communication has been granted in China.
- Partly new board and new Chairman elected at 2008 Annual General Meeting.

About Nextlink AB

Nextlink AB is a public company listed on First North (ticker code: NXTL), an alternative marketplace on the OMX Nordic Exchange Stockholm. Nextlink holds the patents for Bone Conductive Technology, which provides the best possible speech in all sound environments, and the Soft Spring, for optimal wearing comfort. Both patents are featured in the company's INVISIO® consumer and military communications headsets. Its professional products are used by police forces, fire fighters, military personnel, security units and Special Forces around the world.

Additional information is available on the company's web site at www.nextlink.se.

Mangold Fondkommission AB (tel. +46-8-503 015 50) is Certified Adviser for Nextlink on First North.

CEO's statement

The first quarter of 2008 was strategically important for Nextlink, and at the same time it confirmed my previous assertion that our important product development work has been successful and that we now have the right product conditions to grow our sales.

Of the more than 2,700 exhibiting companies at the Consumer Electronics Show (CES) in January, the world's largest consumer electronics trade show held each year in Las Vegas, our INVISIO® Q7 headset was named the "Best of CES Cellphone Accessory" by America's LAPTOP Magazine. In addition, INVISIO® Q7 was a finalist in CNET's nomination of "Best of CES" in the "Cellphones and Smartphones" category. Since INVISIO® G5 and INVISIO® Q7 became ready, customer interest has accelerated. Several significant volume orders, including the lower-priced INVISIO® B3 headset, have been received for delivery during the first and second quarters.

Strategic agreement with Motorola

In early April Nextlink landed a strategic and exclusive license and development agreement with Motorola. This agreement is a major landmark for Nextlink in several respects. Above all, it is proof that Nextlink's patented technology and technical know-how are highly valued by the industry.

The agreement covers a five-year strategic cooperation concerning wireless headsets for the consumer market. It gives Motorola global, exclusive access to Nextlink's patented technology and the right to manufacture, market and sell jointly developed headsets. Motorola and Nextlink will jointly complete development of INVISIO® Q7. Motorola will thereafter launch the product under its own brand in the near future. Motorola's distribution capacity will ensure a level of market penetration for the products that we could not have achieved with our own resources.

For Nextlink's activities in the consumer market, the agreement with Motorola entails the following:

- Lower development risk. In future product development, our customer has extensive distribution and marketing capacity as well as knowledge about market trends. This will enable Nextlink to focus entirely on technology and product development in accordance with the customer's and consumers' preferences.
- Direct access to large-scale distribution and sales.
- Better forecasting reliability of revenue and earnings through a set royalty per sold unit and development compensation.

Focus on professional products

The Motorola agreement strengthens the conditions for success in our Professional Products business area by sharpening the focus of this business. The resources and the time that Nextlink has spent on its consumer products during the last five years should not be underestimated. Through cooperation with Motorola, capacity will now be freed to take further advantage of the opportunities we see in the professional market, where Nextlink has a very competitive position through high-quality products and strong references. We see favorable opportunities in this segment to substantially increase volumes and achieve good profitability over time.

We are currently working on implementation of a new strategic plan for the Professional Products business area.

The decision made by Nextlink in 2007 to develop a new technological platform for professional products is proceeding according to plan, and this work is currently in the final

phase. Nextlink has a number of product launches planned for the second half of this year. Demand exists and is rising. In January, the UK's BAE Systems placed an order for INVISIO® Pro headsets and PTT (Push-To-Talk) valued at SEK 2.1 m, which were delivered during the first quarter. In April the U.S. Naval Special Warfare Command placed an order for INVISIO® Pro headsets valued at SEK 1.5 m, with delivery scheduled during the third quarter this year.

Talks are currently in progress with a number of major system integrators on the use of our next generation of INVISIO® Pro in their total solutions, primarily for military applications. I continue to believe that these negotiations will lead to new contracts and delivery agreements during the year.

Patent portfolio

Some of Nextlink's patents are not used directly in Nextlink's existing products. In view of the market's maturity, Nextlink previously made the decision to begin a process aimed at finding buyers for certain patents in the portfolio. We expect that negotiations can begin during the second quarter. It is my hope that we will also conclude a deal before the end of the quarter.

On the whole, developments during the first quarter entail a focusing of Nextlink's business toward the professional market. As part of this business focus, the Annual General Meeting decided to change the name of the parent company from Nextlink AB to INVISIO Headsets AB.

Lars Højgård Hansen
CEO

Important events during the first quarter

Awards and finalist placing at CES trade show in Las Vegas

At this year's CES trade show in Las Vegas, Nextlink's new INVISIO® Q7 wireless headset was named "Best of CES Cell Phone Accessory" by America's LAPTOP Magazine. INVISIO® Q7 was also a finalist in the "Cellphones and Smartphones" category when CNET nominated its "Best of CES" products. INVISIO® Q7 also won an "Innovation Honouree Award" at CES in 2007.

Prestigious order from BAE Systems

The order was for Nextlink's INVISIO® Pro headsets and PTT (Push-To-Talk), for communication onboard submarines. The order was worth SEK 2.1 m, and the products were delivered during the first quarter.

Several important orders for consumer products

Orders included one for INVISIO® B3, G5 and Q7 from a customer in Eastern Europe. The total order value was approximately SEK 7.0 m. Delivery is scheduled during the second quarter.

Nextlink's process for realizing value in the Group's patent portfolio is proceeding according to plan

Nextlink's process for realizing value in the Group's patent portfolio, with the goal of finding a buyer for the VoIP patent, is proceeding according to plan.

Comments on sales

Sales, gross profit and orders

Net sales during the first quarter totaled SEK 9.5 m (4.2).

Gross profit was SEK 3.1 m (2.8), and the gross margin was 32.4 percent (67.8).

The low gross margin is attributable to consumer products.

Consumer products

A total of 9,992 units were sold during the first quarter (29,919). These consisted of INVISIO® B3 and G5. The gross margin for the business area was -13.6 percent (25.3).

The gross margin during the quarter was burdened by substantial extra shipping costs in connection with certain deliveries.

The order book for consumer products amounted to SEK 28.8 m (17.5) at the end of the quarter. A direct effect of the Motorola agreement is that Nextlink will be transferring some existing orders to Motorola, resulting in a substantial reduction of the order book during the second quarter. This reduction will be compensated by direct revenues from Motorola in the form of royalties.

Professional products

During the first quarter, 2,972 units were sold (2,122). The gross margin was 50.0 percent (82.4).

In addition to the order from BAE Systems, the rest of the units were sold to recurring customers.

The order book for professional products amounted to SEK 4.3 m (2.3) at the end of the quarter. These will be delivered during the second and third quarters of 2008.

Comments on operating expenses and loss after tax

Operating expenses

Operating expenses excluding depreciation amounted to SEK 15.3 m (16.6) during the first quarter.

Operating expenses for the first quarter were charged with substantial costs for marketing in connection with the CES trade show and consulting in connection with the Motorola deal. In addition, during the period, Nextlink made a provision of SEK 0.5 m for the employee stock option program. No provisions were made for the performance-based option program, as no options have been granted yet.

The Motorola agreement gives Nextlink an opportunity to review its cost situation. Company management is currently working on a cost-cutting program in order to be able to benefit from the change in operations brought about by the agreement.

Loss after tax

The loss after tax for the quarter was SEK -15.0 m (-14.4), or SEK -0.72 per share (-0.98).

Comments on capital expenditures, cash flow and liquidity, and equity

Capital expenditures

During the period, Nextlink invested SEK 2.5 m (2.4), of which SEK 2.4 m (0) consists of capitalized development costs. Capital expenditures pertained mainly to development of the new INVISIO® PRO products.

Cash flow and liquidity

Cash flow from operating activities was SEK -11.9 m (-7.0) during the first quarter.

Cash and cash equivalents held by the Group amounted to SEK 1.9 m (0.3) at the end of the first quarter.

Nextlink is working continuously and actively with its liquidity. The focus on professional products is leading to an increase in trade accounts receivable due to the longer payment cycles in the industry.

The company management and Board's view is the same as previously, namely, that necessary liquidity will be generated and added to operations primarily through continuing revenues and one-time revenues, such as from the sale of the VoIP patent. In addition, as a result of the Motorola agreement, Nextlink will be reviewing its cost structure. When in time and at what price the VoIP patent can be sold are a couple of factors that affect this view.

Shareholders' equity

Shareholders' equity amounted to SEK 8.4 m (1.9).

Parent company

Net sales of the parent company amounted to SEK 0.1 m (0.0) during the first quarter, with a loss after tax of SEK -2.6 m (-1.9).

The equity ratio at the end of the period was 88 percent (68). Cash and cash

equivalents amounted to SEK 0.2 m (0.2) at the end of the period. The parent company had 1 employee (1).

Important events after the end of the first quarter

Motorola and Nextlink have entered into a strategic and exclusive license and development agreement

In early April Motorola and Nextlink entered into a five-year strategic and exclusive cooperation agreement for wireless headsets for the consumer market. The agreement gives Motorola global, exclusive rights to manufacture, market and sell jointly developed headsets. Nextlink will also continue to develop headsets for Motorola based on Nextlink's patented technology.

The agreement entails the following, among other things:

- Motorola will take over Nextlink's INVISIO® Q7 product for launch as soon as possible during the year under its own brand.
- Nextlink will receive development compensation from Motorola under the terms of the cooperation agreement.
- Nextlink will receive royalties from Motorola per product.
- Nextlink is guaranteed a minimum set level of payment per year.
- Motorola receives an option with a five-year term entitling it to subscribe for 2,000,000 shares in Nextlink at a subscription price of SEK 25.00 per share.

The aim of the agreement is to establish long-term cooperation between Motorola and Nextlink, where Nextlink will stand for technological development and Motorola for marketing and distribution, among other things.

Patent granted in China

Nextlink's patent for a wireless terminal for VoIP communication has been granted in China. Previous patents have been received in Europe and the U.S. The same patent application is currently under review in both Japan and Hong Kong.

2008 Annual General Meeting

The Annual General Meeting elected a partly new board, whereby Heléne Bergquist was elected as a new director and as Chairman of the Board. Heléne Bergquist is currently a management consultant, with previous experience as Senior Vice President and Group Controller at AB Electrolux and Authorized Public Accountant and partner at PricewaterhouseCoopers AB. Heléne Bergquist is also a director on Trelleborg AB's board.

Christian Paulsson, Fredrik Sandelin and Jan Werne were re-elected as directors on the board.

The registered auditing firm PricewaterhouseCoopers AB was elected as the company's auditor, with Michael Bergtsson as chief auditor.

The Annual General Meeting resolved to change the company's name from Nextlink AB to INVISIO Headsets AB.

The Annual General Meeting also resolved to renew the Board's mandate until the next Annual General Meeting.

Outlook for coming quarter

Development will continue to be focused on Nextlink's operations in the professional market.

Consumer Products business area

During the next quarter Nextlink will be initiating cooperation with Motorola in accordance with the license and development agreement entered into by the two parties. As a result of this, Nextlink will not be launching INVISIO[®] Q7 as previously announced. INVISIO[®] Q7 will be launched under Motorola's brand as soon as possible during the year.

Going forward, the agreement with Motorola will result in better forecast reliability with respect to revenues and earnings through a set royalty per sold unit and development compensation.

Professional Products business area

The decision made by Nextlink in 2007 to develop a new technical platform for professional products is proceeding

according to plan and is currently in the final phase.

In the professional market, Nextlink has a very strong competitive position, with high-quality products and strong references. Here we see good opportunities to grow volumes significantly already in 2008 and to achieve good profitability over time.

Other information

Significant risks and uncertainties

Nextlink's business and earnings are affected by a number of external and internal factors. A continuous process is under way to identify all risks and to assess how each respective risk shall be managed.

The risks that the company is mainly exposed to are market-related risks (including competition, technical development and political risks), operating risks (including product liability, intangible rights and disputes, customer dependence and contract risks), and financial risks (including primarily liquidity and currency risks).

In the company's opinion, no additional significant risks or uncertainties have arisen in 2008, apart from those reported on p. 28 and Note 2 of the 2007 Annual Report, and in this interim report.

Related party transactions

A reserve has been set up for outlays for the Chairman of the Board during the first quarter, for a combined value of SEK 250 thousand (-), which will be invoiced from Lage Jonasson AB. These outlays pertain to costs in connection with negotiations with Motorola.

During the first quarter, board member Jan Werne, via the company JW Management Consulting, invoiced the company an amount of SEK 420 m (-) for consulting fees.

Accounting principles

The Group applies International Financial Reporting Standards (IFRS) as adopted by the EU, the Swedish Annual Accounts Act and Swedish Financial Accounting Standards Council recommendation 30 –

Supplementary Accounting Rules. The interim report is prepared in accordance with IAS 34 Interim Financial Reporting, which is in accordance with the requirements made in Swedish Financial Accounting Standards Council recommendation 31, Interim reporting for groups.

This interim report has not been reviewed by the company's auditors.

Financial calendar

Half-year report January–June: July 17, 2008

Quarterly report, July–September: October 27, 2008

Year-end report 2008: February 16, 2009

Stockholm, April 28, 2008

Lars Højgård Hansen
CEO

For enquiries, please contact:

Lars Højgård Hansen, CEO
Mobile: +45 72 40 55 55
E-mail: lh@nextlink.to

Bengt Nilsson, CFO
Mobile: +45 72 40 55 60
E-mail: bengt.nilsson@nextlink.to

Address and contact information: Nextlink AB (publ.), Box 49149, 100 29 Stockholm, Sweden
Reg. no.: 556651-0987

Consolidated income statement

SEK 000s

Income statement	Jan-March 2008	Jan-March 2007	Jan-Dec 2007
Net sales	9,532	4,184	22,786
Cost of goods sold	-6,444	-1,349	-14,720
Gross profit	3,088	2,835	8,066
Operating expenses	-15,342	-16,639	-71,679
Depreciation	-2,160	-930	-3,192
Operating loss	-14,414	-14,734	-66,805
Net financial items	-553	314	-1,267
Loss after financial items and before tax	-14,967	-14,420	-68,072
Tax	-	-	-1,262
Loss after tax	-14,967	-14,420	-69,334

Per-share data	Jan-March 2008	Jan-March 2007	Jan-Dec 2007
Earnings per share, SEK	-0.72	-0.98	-4.22
Earnings per share after full dilution, SEK	-0.72	-0.98	-4.22
Shareholders' equity per share, SEK	0.42	0.13	1.02
Shareholders' equity per share after full dilution, SEK	1.39	1.61	1.16
Equity ratio	17%	5%	34%
Number of shares outstanding	19,825,684	14,663,453	19,623,779
Average number of shares outstanding	19,764,875	14,663,453	16,432,882
Average number of shares outstanding after full dilution	20,776,790	17,590,320	19,685,384
Share price, SEK	22.50	20.10	19.00

Consolidated balance sheet

SEK 000s

Assets	3/31/2008	3/31/2007	12/31/2007
Intangible assets	19,951	11,960	19,316
Tangible assets	5,504	5,024	5,984
Financial assets	704	4,242	3,983
Inventories	8,594	10,571	4,415
Accounts receivable – trade	8,882	6,218	6,797
Other receivables ¹⁾	2,467	1,577	6,916
Cash and bank balances	1,864	334	11,633
Total assets	47,966	39,926	59,044

1) 1/31/2007, blocked bank funds of SEK 1,622 thousand

Shareholders' equity and liabilities

Shareholders' equity	8,360	1,922	20,031
Liabilities to credit institutions	15,550	18,066	13,195
Accounts payable – trade	10,408	14,490	13,352
Other liabilities	13,648	5,448	12,466
Total shareholders' equity and liabilities	47,966	39,926	59,044

Changes in shareholders' equity	3/31/2008	3/31/2007	12/31/2007
Opening balance	20,031	16,688	16,688
Translation difference	490	-143	257
New issues	2,806	-	72,420
Loss after tax	-14,967	-14,420	-69,334
Closing balance	8,360	2,125	20,031

Cash flow analysis – Group

Cash flow	Jan-March 2008	Jan-March 2007	Jan-Dec 2007
Loss before tax	-14,967	-14,420	-68,072
Adjustments for non-cash items	2,968	1,422	4,813
Taxes	-	-	-1,262
Cash flow from operating activities before changes in working capital	-11,999	-12,998	-64,521
Changes in operating capital	118	6,032	11,308
Cash from from operating activities	-11,881	-6,966	-53,213
Capitalization of development costs	-2,463	-	-8,048
Acquisition/divestment of financial assets	-	187	203
Acquisition/divestment of property, plant and equipment	-41	-2,544	-3,494
Cash flow from investing activities	-2,504	-2,357	-11,339
New issues	2,806	-	72,420
Change in financial assets	4,892	-3,515	-4,892
Change in liabilities to credit institutions	-3,068	-	-4,651
Cash flow from financing activities	4,630	-3,515	62,877
Total cash flow for the period	-9,755	-12,838	-1,675
Cash and cash equivalents at start of period	11,633	13,171	13,171
Translation difference of cash and cash equivalents	-14	1	137
Cash and cash equivalents at end of period	1,864	334	11,633

Consolidated income statement – segmental breakdown

SEK 000s

Segmental breakdown, Jan-March 2008	Consumer products	Professional products	Total
Net sales	2,640	6,892	9,532
Cost of goods sold	-2,999	-3,445	-6,444
Gross profit/loss	-359	3,447	3,088
Undistributed operating expenses			-15,342
Undistributed depreciation			-2,160
Operating loss			-14,414
Undistributed net financial items			-553
Loss after financial items and before tax			-14,967
Tax			-
Loss after tax			-14,967

Segmental breakdown, Jan-Dec 2007	Consumer products	Professional products	Total
Net sales	8,646	14,140	22,786
Cost of goods sold	-8,504	-6,216	-14,720
Gross profit	142	7,924	8,066
Undistributed operating expenses			-71,679
Undistributed depreciation			-3,192
Operating loss			-66,805
Undistributed net financial items			-1,267
Loss after financial items and before tax			-68,072
Tax			-1,262
Loss after tax			-69,334

Segmental breakdown, Jan-March 2007	Consumer products	Professional products	Total
Net sales	1,072	3,112	4,184
Cost of goods sold	-801	-548	-1,349
Gross profit	271	2,564	2,835
Undistributed operating expenses			-16,639
Undistributed depreciation			-930
Operating loss			-14,734
Undistributed net financial items			314
Loss after financial items and before tax			-14,420
Tax			-
Loss after tax			-14,420

Parent company income statement

SEK 000s

Income statement	Jan-March 2008	Jan-March 2007	Jan-Dec 2007
Net sales	30	-	584
Total operating income	30	-	584
Operating expenses	-2,082	-1,655	-8,362
Depreciation	-	-	-6
Operating loss	-2,052	-1,655	-7,784
Net financial items	-594	-249	-980
Loss after financial items and before tax	-2,646	-1,904	-8,764
Tax	-	-	-
Loss after tax	-2,646	-1,904	-8,764

Parent company balance sheet

Parent company balance sheet

SEK 000s

Assets	3/31/2008	3/31/2007	12/31/2007
Equipment	13	13	13
Shares in subsidiaries	81,871	9,676	81,871
Other non-current receivables	-	3,270	3,270
Receivables from Group companies	55,356	69,693	43,119
Other receivables ¹⁾	1,138	286	3,448
Cash and bank balances	245	155	7,017
Total assets	138,623	83,093	138,738

1) 12/31/2007 Blocked bank funds of SEK 1,622 thousand

Shareholders' equity and liabilities	3/31/2008	3/31/2007	12/31/2007
Shareholders' equity	122,588	56,868	122,428
Liabilities to credit institutions	10,002	17,002	10,002
Accounts payable – trade	2,927	2,818	1,772
Liabilities to Group companies	1,618	6,149	3,010
Other liabilities	1,488	256	1,526
Total shareholders' equity and liabilities	138,623	83,093	138,738

Changes in shareholders' equity	3/31/2008	3/31/2007	12/31/2007
Opening balance	122,428	58,772	58,772
New issues	2,806	-	72,420
Loss after tax	-2,646	-1,904	-8,764
Closing balance	122,588	56,868	122,428